Chapter VI

FINDINGS, CONCLUSION & RECOMMENDATIONS
6.1 Findings and Analytical Results of the Study

6.1.1 Results of IA Procedures Analysis
6.1.2 Results of IA Independence Analysis
6.1.3 Results of Code of Ethics and Professional Standards Analysis
6.1.4 Results of Laws and Legislations Analysis
6.1.5 Results of IA Competencies and Qualifications Analysis
6.1.6 Results of Analysis of Internal and External Auditor Relationship
6.1.7 Results of IA Reporting Analysis

6.2 General Findings
6.2 Recommendations
6.3 Conclusion
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FINDINGS, CONCLUSION AND RECOMMENDATIONS

6.1 Findings and Analytical Results of the Study

Through analyzing the Yemeni laws, legislations, literature information, interviews and both sections of the questionnaire; demographic data and second section questions, which consist of information about IA position and its determinants in PSCs. Thereafter, testing the hypotheses, as well as, implementing the study's model and its sub-models. Consequently, the study reached to the stage of grouping findings, which are as follows:

6.1.1 Results of IA Procedures Analysis

1- IAD performs its activities according to predesigned plans while does not prepare financial budget for covering the funds for accomplishing the annual plans.

2- Usually, IAD does not evaluate ICSs to the result of ICSs are not properly documented, as well as, IAD does not maintain specified technique for evaluating the ICSs in most of PSCs in the RoY.

3- IAD prepares audit programs to use in audit assignments. Nevertheless, most of PSCs in the RoY do not revised and reviewed their audit programs for particular activities to be audited.

4- The documentation of IA matters is appropriate unless the documentation of ICSs of the company because it is not the duty of IAD and most PSCs do not document their ICSs properly.

6.1.2 Results of Laws and Legislations Analysis

A- Yemeni laws and regulations of IA do not include provisions that impose on the internal auditors' compliance with any IA standards clearly.

B- Yemeni IA laws do not impose to internal auditors comply with certain IA standards.

C- IA Yemeni laws do not make it necessary or mention clearly that the IAD has to prepare and retain audit charter, which defining the IAD's purpose, authority and responsibility.

D- Yemeni law do not treat the IA as profession and not a department establishes within the organizations where the PMR 25/1986 and 217/1999 discussed the IA as function rendered by internal department only.

E- Yemeni laws did not mention or determine any code of ethics for IA, which should available with and maintain by internal auditors.
6.1.3 Results of Code of Ethics and Professional Standards Analysis
A- There are no code of ethics and professional standards formed by national authorities and/or professional bodies concerning IA.
B- IADs in some companies adhere to international standards of IA in performing their duties.
C- There are no national bodies or authorities regulate the professional matters of IAP.

6.1.4 Results of IA Independence Analysis

Organizational Independence:
The study found that the IAD, somewhat, is organizationally independent according to some indicators, which mentioned in the PMR 25/1986; such as that authority to appoint and remove the CAE is in the hand of the board chairperson and the organizational position of IAD is immediately under the organizational position of the board of directors and board chairperson's supervision. Nevertheless, the authority to approve the financial operating budget of IAD does not clearly mentioned.

Functional Independence:
IAD to somewhat is functionally independence whereas practically found that the internal auditors are required to report to the CAE any situations in which their bias or lack of independence is present or may reasonably be inferred and IAD does not responsible for the design, installation, or operation of ICS. In addition, to internal auditors do not assign to audit activities, which they previously were responsible executively before at least one year has elapsed. However, the study found that many IADs in PSCs provide advice and assistance in the design, installation or processing of ICS, in which impair the independence of IAD.

6.1.5 Results of IA Competencies and Qualifications Analysis
The study found the internal auditors with some exceptions in all positions are not professionally well competent according to the following indicators:
A- The training hours for each internal auditor are less than in most PSCs forty hours.
B- Almost no internal auditors in PSCs have professional certificates.
C- The greater portion of internal auditors in PSCs did not take related IA procedures or any of its components, which represent in planning, documentation, internal control evaluation, sampling, reporting and follow up.
D- In case of annual training, plan is available for IAD staff so, it does not execute greatly.
E- In respect of academic certificates, the study has found that there is no compliance with IA laws and legislations.
F- Most of internal auditors in PSCs did not take training courses related to professional IA framework or any of its components, which represent in objectives, professional code of ethics and standards of IA.

6.1.6 Results of Analysis of Internal and External Auditor’s Relationship
The PMR 25/1986 had enhanced the cooperation and relation of internal and external auditor while the study in practical field found that is weak as shown below:
A- Most IADs in PSCs do not send copy of periodic IA reports, which are submitting to the chairperson of the board, as mentioned in the PMR 25/1986.
B- IADs in PSCs do not held meeting with the external auditor to discuss matters of mutual interests.
C- External auditors do not allow the internal auditors to have access to their working papers.
D- IADs do not make their working papers available to external auditor.
E- External auditor does not rely on the work of IAD in determining the size of his work.
F- Most of IADs do not make the information, which they obtained, available to the external auditor who is the COCA in respect of PSCs.

6.1.7 Results of IA Reporting Analysis
A- Most of completed audit assignments are reported in writing and distributed.
B- IAD follow up reported audit findings to be a sure that appropriate action has taken.
C- All audit work reviewed by an audit supervisor before audit reports are released from the department.
D- Most IADs have follow-up systems for IA works results for assuring the extent of considering internal auditors recommendations in correcting errors and carrying out the necessary actions.
E- Activity reports that highlighting significant audit findings and/or recommendations submitted at least annually to the board and to respective management line.
F- An acceptable number of IADs prepares periodic reports to the board of directors at least quarterly.
6.1.8 Results of Analysis of Qualifications in Conducting ISA

The study results of qualifications in conducting ISA reflect that there is a gap in IS development and internal auditors' competencies for conducting ISA, which can be observed from the followings:

A- Most PSCs do not have experienced auditing personnel in dealing with the ISA.

B- The greater portion of internal auditors does not have enough proficiency in information system audit.

C- The majority of internal auditors does not utilize the computer in audit and review the computerized information systems in your company.

D- Most of IADs in PSCs do not possess private audit software for auditing the information systems.

E- Almost IADs do not maintain genuine software copies (if any) of operated computerized software, which used in audit operation.

F- The greater part of internal auditors does not take training courses on computerized information system, which adopted in their companies.

From the results of analysis of IA characteristics or determinants, those discussed above. Consequently, the result of the study's main hypothesis is that rejection of the hypothesis and accepting the alternative hypothesis, which state, "IA in PSCs in the RoY is undeveloped".

6.2 General Findings

1. IAF in RoY is in in-house only, where it provides by IAD established within the organization.

2. The Yemeni laws and regulations do not enhance the professionalism of IA whereas this laws do not identify and impose any specific IA code of ethics and standards over IA practitioners or/and IAD.

3. The Yemeni professional laws and legislations do not enhance the professionalism of IA even there is no systematic adherence to these laws such as delay in establishing the IAD in the stipulated time and personnel, promotion of IAD staff and IAD does not make the information available to the external auditor as impose in the law.

4. Lack of national professional organization (governmental or independent) regulates the IAP in regard of issuing compulsory code of ethics and professional standards and supervising their implementation.
5. While there is no national professional framework of IA, as well as, the laws do not specify any framework in respect of IA therefore, the works of IAD not done through standardized principles in different PSCs.

6. The relationship and cooperation between the internal and external auditor is weak in real field because they do not held meetings, both of them do not make their working papers and information available to each other and external auditor does not rely on the work of IAD in his work.

7. IAD and Internal auditor are to some extent independent organizationally and functionally.

8. The Internal auditors are not well competence and qualified to conduct the IA works because of academic accounting education does not provide IA desirable level and professional training is weak and most of them do not bear professional certificates, as well as, continuous education program for internal auditors do not exist.

9. Based on the study results, it is clear that some PSCs have not historically placed a strong emphasis on relevant education and experience in making appointments to different positions within the IAD. In addition, there has been little or no oversight to ensure only qualified individuals are appointed. The role of the COCA in approving the appointments is not clearly defined. These conditions can have a detrimental effect on the effectiveness of IA and could be viewed as not establishing the proper “tone at the top” regarding the importance of IA activities. For this reason, minimum education and experience requirements reviewed and proved clearly.

10. Management in various levels does not pay desired attention to the work of IAD because thought of non-internal auditors, as well as, some internal auditors is still considering IA is the function of hunting the mistakes. Therefore, it does not reach to the modern concept of IAP, which is independent assurance and consulting activity aims to add value and improve an organization's operations. It helps an organization to accomplish its objectives.

11. There is no clear identification of authorities and responsibilities of IAD and its staff because of the law does not impose that each IAD should prepare and maintain audit charter.

12. There is a big gap between IT development and IA requirements of internal auditors’ competencies and qualification and audit techniques used to audit the IS.

13. There is clear influence of Globalization on IA characteristics and quality in the RoY because it found that the availability and quality IA components are better than that of pure national PSCs such as banks and telecommunication companies.
6.3 Conclusion

After presenting and analyzing the data by utilizing several techniques and exploring the study results in details, the study reaches to interpret the result according to the rates developed and study model. Consequently, while IA level scores availability – with equal weights and unequal weights – was 46.7 and 46.09 successively. Therefore, it belongs to the scale or interval of 25-49 per cent, which debates that; the IAP is under developed and there are many of its determinants are weak or unavailable and in need to many developing actions. This conclusion result has also presented with the study model in Figure 5.37.

The undeveloped position of IAP in PSCs in the RoY resulted specifically from; lack of clarity and limitations exist in some provisions of laws and regulations of IAP, lack of uniformed and compulsory PPF guiding the internal auditors in practice. The qualifications and competence of internal auditors are below par to perform the IAF professionally, the external and internal auditors' relationship is unwell to make their work integral and complemented. Moreover, the internal auditors are not qualified to carry out the internal audit functions in the information technology environment.

6.4 Recommendations of the Study

Based on the findings derived from this research endeavour, the investigation arrived at the following conclusion.

Many discussions had about IA, its nature, elements and factors of evolution and development of IA within the academics, legislations and practitioners. The purposes of this study were to explore the current position of IA in PSCs in Yemen and to examine possibility requirements for developing it. However, the findings mentioned above indicate that enhancement of IAP in future depends basically on the accomplishment of a group of arrangements, consequently the following are the main recommendations of the study:

i. Amending and improving the laws and regulations related to IA (PMR 25/1986, 217/1999) in order to include provisions in respect of:
   1- Code of ethics, which must be followed by the internal auditors.
   2- Professional standards authorized by law.
   3- Impose the PSCs to maintain audit charter, policy and procedure manual for IAD.
   4- Widening the concept of IAP in respect of function provider into a profession can be provided by out-source, in-house practitioners or both of them. Because the PMR
25/1986 and 217/1999 treated the IAP as in-house function provides through IAD staff within the company only.

5- IA professional body and its authorities and responsibilities.

6- Professional qualifications and disqualifications of internal auditors in all positions (certifications of internal auditors).

ii. Professionalism of IA by formulating PPF for internal audit in the manner of PPF of the IIA of USA, UK and India …etc. to be convenient for the Yemeni environment, which includes clear definition for internal audit, code of ethics, professional practice standards and practice advisories.

iii. Professional bodies and practitioners must participating in forming the legislations such as those laws and regulations related to IAP.

iv. Establishing national IA professional body for regulate and organize the IAP in the country.

v. Establishing Audit Committees within each organization fall under the law of IA.

vi. Improving the professional and academic education for internal auditors (continuing education program), Through developing the academic syllabus of accounting courses in order to include sufficient part related to IA, as well as, opening IIA branches for providing professional education for practitioners.

vii. Each PSC must maintain and provide continuous training and development programs to the practitioners of IA with according with professional practice standards.

viii. Continuous training and development programs sponsored by the computer information technology must be provided to practitioners of the IA in computerized information systems environment.

ix. Top management should be given short seminars about the importance and role of IA in achieving the objectives of organizations, as well as, spread the thought of corporate governance among the executives in all managerial lines and IA role in enhancing it.

x. Making systematic continuous evaluation program for IA activities externally by the authorized bodies and internally by self-quality assurance program and peer review system.
xi. Internal control systems and procedures manuals of each PSC should be properly and fully documented and make them available to the internal auditors, as well as, inform them with any update for them.

xii. Recommendations for Future Research: based on the results of this study, future studies are needed for examining the characteristics and performance of IA either acceptable or still in need for more development. Following are recommendations for some recommended future researches:
1. Research on the impact of operational or performance auditing on Public and private sector companies.
2. Research on the role of IA in developing the performance of PSCs.
3. Role of IA in the prevention and detection of fraud.
4. Do internal auditors have the necessary skills to gain commitment from auditees?
5. Reviewing the effectiveness of IA in PSCs.
6. Framework for internal auditors to add value in PSCs.
7. Role of PSCs internal auditors in risk management.
8. Role of IA in promoting sound management controls in organizations.
9. The impact of IT on IA in the RoY.